

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature	Printed Name		License Number	

LUNA PIER HOUSING COMMISSION

Financial Statements

June 30, 2007

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

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LUNA PIER HOUSING COMMISSION

Management Discussion and Analysis

June 30, 2007

This discussion and analysis of the Luna Pier Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the financial statements.

Entity-Wide Statements

The combined financial statements show, in one place, all the Commission's operations. Our statements are prepared on the accrual basis of accounting, which is similar to that used by most businesses. Under this method, all revenues and expenses connected with the fiscal year are taken into account even if the cash involved has not actually been received or paid. The Financial Data Schedule included within the audit report contains all the programs of the Commission.

Fund Statements

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Proprietary Fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

Entity-Wide Financial Highlights

The Commission was awarded the following Federal Assistance:

	<u>Year 2007</u>	<u>Year 2006</u>	<u>Difference</u>
Operating Subsidies	\$ 223,327	\$ 163,705	\$ 59,622
Capital Projects Funds	97,949	339,405	(241,456)

Comparison of the current year to the past and discussion of significant changes as follows:

Cash	\$ 23,218	\$ 75,133	\$ (51,915)
Prepaid Expenses	23,132	26,769	(3,637)
Fixed Assets,			
before Depreciation	4,554,859	4,471,448	83,411
Net Assets	2,215,175	2,346,772	(131,597)
Total Liabilities	88,796	86,620	2,176

Management Discussion and Analysis, continued

	<u>Year 2007</u>	<u>Year 2006</u>	<u>Difference</u>
Revenues:			
Tenant Revenues	\$ 244,385	\$ 270,094	\$ (25,709)
HUD Grants	321,276	503,110	181,834
Expenses:			
Administrative	171,667	156,217	15,450
Tenant Services	9,199	8,112	1,087
Utilities	114,986	134,980	(19,994)
Maintenance & Operations	211,252	145,453	65,799
General Expenses	55,324	48,824	6,500
Depreciation Expense	154,753	148,796	5,957

Our cash position decreased \$ 51,915; we had a net profit of \$ 22,716 before depreciation, and spent \$ 83,411 on fixed assets. Fixed assets increased by \$ 83,411, which is analyzed later in this report. Net Assets decreased by the net loss.

HUD grants received are a result of calculations under the Performance Funding System, and Capital grants authorized and obligated during the year. Our operating subsidies increased as a result of our average tenant rent has decreased- tenant rents decreased by \$ 25,709, subsidies increased \$ 59,622). Last year we drew our 2004 & 2006 Capital Fund Projects money to complete unit renovations and building improvements, in the current year we used a portion of our 2007 Capital Fund for appliances and office improvements. See Capital Assets for further discussion.

Our Administrative expenses increased as a result of remodeling our offices and acquiring new files and equipment for the administrative offices. We also have experienced an increase in health benefits due to rising cost, which has affected the employee benefits for both administrative and maintenance.

Utilities have decreased as a result of substantial decrease in water; in the past our water meters were old and unread; new meters are recording the actual usage which has resulted in a decrease in cost.

Maintenance has increased this year as a result of the increase in the cost of health benefits and doing most of the office renovations out of operations.

General expenses increased mainly because of more tenant bad debts; last year we wrote off \$ 870 as uncollectible, in the current year we suffered losses due to uncollectible accounts in the amount of \$ 3,771.

Depreciation increased as a result of adding the new office equipment, and new appliances, which increased the current years depreciation expense.

The Commission provided the following housing for low to moderately low income families as follows:

	<u>Year 2007</u>	<u>Year 2006</u>
Low Rent Public Housing	102	102

Management Discussion and Analysis, continued

General Fund Budgetary Highlights

The Commission approved an operating budget for the fiscal year ending June 30, 2007, and had no occasion to amend the original.

No significant differences between the actual results and our budget were noted:

	<u>Actual</u>	<u>Budget</u>	<u>Over/(Under)</u>
Net Operating Profit			
(Loss) before Depreciation	\$ (58,760)	\$ (54,633)	(4,127)

Entity Wide Capital Assets

At the close of the fiscal year, the Commission had \$ 4,554,859 in capital assets with accumulated depreciation of \$ 2,300,459. This represents an increase of \$ 83,411 and \$ 154,753 over 2006 respectively.

Major additions include the following:

Office equipment	\$ 7,447
New Appliances	8,246
New Boilers	<u>67,718</u>
	\$ <u>83,411</u>

Commission's Position

The Commission is concerned with the increase in Federal unfunded mandates such as project based accounting, asset management, and uncertainty in future funding with the new subsidy calculations and cuts in other federal programs.

The Commission discovered a material defect in a roofing project which was completed several years ago; we are considering a legal action to recover damages against the contractor, the estimated cost to repair the damage is in excess of \$ 315,000.

We will be utilizing the 2007 Capital Funds to continue the upgrade and improvements of our family and senior units - specifically targeting appliances, interior doors, windows and the parking area.

The Commission expects to continue to provide safe, sanitary and decent housing for the low and moderately low income families.

Questions or Comments may be
directed to:

Kay Axel, Executive Director
Lotus Manor
Luna Pier Housing Commission

John C. DiPiero, P.C.

Certified Public Accountant

P. O. Box 378
Hemlock, Michigan 48626
Tel / Fax (989) 642-2092

Board of Commissioners
Luna Pier Housing Commission
10885 Ellen Street
Luna Pier, Michigan 48157

Independent Auditor's Report

I have audited the Business Type Activities of the Luna Pier Housing Commission as of and for the year ended June 30, 2007. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Luna Pier Housing Commission as of June 30, 2007, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the required supplemental information are not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the financial statements taken as whole.

Certified Public Accountant

January 30, 2008

LUNA PIER HOUSING COMMISSION
Statement of Net Assets
June 30, 2007

ASSETS

C-3080

CURRENT ASSETS

Cash & Cash Equivalents	\$	23,218
Accounts Receivable		1,126
Accounts Receivable- HUD		2,095
Prepaid Expenses		<u>23,132</u>

Total Current Assets	\$	49,571
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NON CURRENT ASSETS

Land	\$	159,762
Buildings		4,042,821
Furniture, Equipment- Dwellings		80,071
Furniture, Equipment- Administrative		100,557
Leasehold Improvements		171,648
Accumulated Depreciation		<u>(2,300,459)</u>

Total Non Current Assets		<u>2,254,400</u>
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<u>TOTAL ASSETS</u>	\$	<u>2,303,971</u>
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LUNA PIER HOUSING COMMISSION
Statement of Net Assets
June 30, 2007

LIABILITIES

C-3080

CURRENT LIABILITIES

Accounts Payable	\$ 12,681
Accrued Payroll & Payroll Taxes	22,648
Accounts Payable- Other Government	21,749
Compensated Absences	1,748
Tenants Security Deposit	23,218
Deferred Revenue	5,562
Other Current Liabilities	<u>1,190</u>

<u>Total Current Liabilities</u>	\$ 88,796
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Net Assets:

Investment in Fixed Assets	
net of Related Debt	\$ 2,254,400
Unrestricted Net Assets	<u>(39,225)</u>

<u>Total Net Assets</u>	<u>2,215,175</u>
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TOTAL LIABILITIES AND NET ASSETS	\$ <u>2,303,971</u>
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The Accompanying Footnotes are an Integral Part of the Financial Statements.

LUNA PIER HOUSING COMMISSION
Combined Statement of Revenues, Expenses, and Changes in Net Assets
For the year ended June 30, 2007

OPERATING REVENUE

Tenant Rental Revenue	\$ 244,385	
Tenant Revenue-Other	13,594	
HUD Grants	244,467	
Interest Income	1,953	
Other Income	<u>4,559</u>	
<u>Total Operating Revenue</u>		\$ 508,958

OPERATING EXPENSES

Administrative	\$ 171,667	
Tenant Services	9,199	
Utility Expenses	114,986	
Ordinary Maintenance	211,252	
General Expenses	55,324	
Extra Ordinary Maintenance	1,113	
Depreciation Expenses	<u>154,753</u>	
<u>Total Operating Expenses</u>		<u>718,294</u>

<u>Income (Loss) before Contributions</u>	\$ (209,336)
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<u>CAPITAL CONTRIBUTIONS</u>	<u>76,809</u>
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<u>Changes in Net Assets</u>	\$ (132,527)
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Total Net Assets- Beginning	\$ 2,346,772	
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Reclassify Prior Year Capital Fund	<u>930</u>	<u>2,347,702</u>
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Total Net Assets- Ending	\$ <u>2,215,175</u>
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The Accompanying Notes are an Integral part of the Financial Statements

LUNA PIER HOUSING COMMISSION
Combined Statement of Cash Flows
For the Year Ended June 30, 2007

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 262,399
Payments to Suppliers	(401,616)
Payments to Employees	(157,025)
HUD Grants	321,276
Other Receipts (Payments)	<u>6,462</u>
Net Cash Provided (Used) by Operating Activities	\$ 31,496

CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	\$ <u>(83,411)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (51,915)
Cash Balance- Beginning of Year	<u>75,133</u>
Cash Balance- End of Year	\$ <u>23,218</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Net Profit or (Loss)	\$ (132,577)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	154,753
Changes in Assets (Increase) Decrease:	
Receivables (Gross)	2,401
Prepaid Expenses	3,637
Changes in Liabilities Increase (Decrease):	
Accounts Payable	(10,407)
Accrued Liabilities	(557)
Accounts Payable-Other Governments	(568)
Accrued Compensated Absences	10,314
Security Deposits	1,557
Deferred Revenue	<u>2,943</u>
Net Cash Provided by Operating Activities	\$ <u>31,496</u>

The Accompanying Notes are an Integral part of the Financial Statements

LUNA PIER HOUSING COMMISSION
Notes to Financial Statements
June 30, 2007

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity-

Luna Pier Housing Commission, Luna Pier, Michigan, (Commission) was created by ordinance of the city of Luna Pier. The Commission signed and Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

MI 98-1, 2	Low rent program	101 units
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In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above criteria, there are no component units.

These criteria were considered in determining the reporting entity.

Basis of Presentation-

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Notes to Financial Statements- continued

Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1999, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1999, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, provided they do not conflict with Governmental Accounting Standards Board (GASB) pronouncements.

Budgetary data-

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

Assets, Liabilities, and Net Assets-

Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

Notes to Financial Statements- continued

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is reported as Invested in Capital Assets, Net of Related Debt. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	40 years
Equipment	3-10 years

Compensated Absences

Sick leave and other compensated absences with similar characteristics have been accrued as a liability. The amount accrued was based on the probability that the Commission will compensate the employees for the benefits through cash payments as a condition of the employees' termination or retirement.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Note 2: Cash.

The composition of cash is as follows:

Cash:

General Fund Checking Accounts	\$ 7,067
Certificate of Deposit	15,851
Petty Cash	<u>300</u>
Financial Statement Total	<u>\$ 23,218</u>

Notes to Financial Statements- continued

Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

	<u>Categories</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Cash:					
Checking A/C's	\$ 7,067	\$	\$	\$ 7,067	\$ 7,067
Money Market	15,851			15,851	15,851
Petty Cash	<u>300</u>			<u>300</u>	<u>300</u>
Total Cash	\$ <u>23,218</u>	\$	\$	\$ <u>23,218</u>	\$ <u>23,218</u>

Note 3: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Land	\$ 159,762	\$	\$	\$ 159,762
Buildings	4,042,821			4,042,821
Furniture & Equipment-Dwellings	75,384	4,687		80,071
Furniture & Equipment-Admin	65,075	35,482		100,557
Leasehold Improvements	<u>128,406</u>	<u>43,242</u>		<u>171,648</u>
	\$ 4,471,448	\$ 83,411	\$	\$ 4,554,859
Less Accumulated Depreciation	<u>2,145,706</u>	<u>154,753</u>		<u>2,300,459</u>
	\$ <u>2,325,742</u>	\$ <u>(71,342)</u>	\$ <u>0</u>	\$ <u>2,254,400</u>

Note 4: Prepaid Expenses

Prepaid expenses consist of the following:

Prepaid Insurance	\$ 21,722
Supplies Inventory	<u>1,410</u>
	\$ <u>23,132</u>

Notes to Financial Statements- continued

Note 5: Pension Plan

The Commission contributes to a Simplified Employee Pension Plan, (SEPP). The Commission pays 5 % of all eligible employees wages to the fund. Employees are 100 % vested as soon as they are eligible. Eligibility requirements are as follows: full time employee, over 21 years of age, and have worked for the Commission for at least three of preceding five years.

Note 6: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

Note 7: Combining Financial Data Schedules.

The totals in the combining Balance Sheet and Combining Income Statement represent unconsolidated totals. Under principals of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

Note 8: Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 7,335,300
General Liability	1,000,000
Automobile Liability	1,000,000
Dishonesty Bond	1,000,000
Worker's Compensation and other riders: minimum coverage's required by the State of Michigan	

Note 9: Contingent Liability

The Commission has discovered material workmanship deficiencies concerning a roofing project which was completed several years ago. The defects include improper venting of appliances into the rafters; the subsequent damage and cost to repair the defects are estimated to be in excess of \$ 315,000. The Commission has consulted with an attorney and is considering an action to recover damages.

Luna Pier Housing Commission

30-Jun-07

MI-098

	Account Description	Low Rent 14.850	Capital Projects Funds 14.872	TOTAL
Line Item #				
	ASSETS:			
	CURRENT ASSETS:			
	Cash:			
111	Cash - unrestricted	23,218		23,218
112	Cash - restricted - modernization and developmen		-	-
113	Cash - other restrictec			-
114	Cash - tenant security deposit	-	-	-
100	Total cash	23,218	-	23,218
	Accounts and notes receivables			
121	Accounts receivable - PHA project			-
122	Accounts receivable - HUD other project		2,095	2,095
124	Accounts receivable - other governmer			-
125	Accounts receivable - miscellaneou	-	-	-
126	Accounts receivable- tenants - dwelling reni	1,077		1,077
126.1	Allowance for doubtful accounts - dwelling reni	-		-
126.2	Allowance for doubtful accounts - othe	-		-
127	Notes and mortgages receivable- curren			-
128	Fraud recovery			-
128.1	Allowance for doubtful accounts - fraud			-
129	Accrued interest receivabl	49		49
120	Total receivables, net of allowances for doubtful account	1,126	2,095	3,221
	Current investments:			-
131	Investments - unrestrictec	-		-
132	Investments - restrictec			-
142	Prepaid expenses and other asset	21,722	-	21,722
143	Inventories	1,410	-	1,410
143.1	Allowance for obsolete inventorie	-	-	-
144	Interprogram - due from	2,095	-	2,095
146	Amounts to be providec			-
150	TOTAL CURRENT ASSETS	49,571	2,095	51,666
	NONCURRENT ASSETS:			
	Fixed assets:			
161	Land	159,762	-	159,762
162	Buildings	4,042,821	-	4,042,821
163	Furniture, equipment & machinery - dwelling	77,797	2,274	80,071
164	Furniture, equipment & macinery - admininstratio	68,334	32,223	100,557
165	Leasehold improvement:	119,809	51,839	171,648
166	Accumulated depreciator	(2,300,151)	(308)	(2,300,459)
160	Total fixed assets, net of accumulated depreciatio	2,168,372	86,028	2,254,400
171	Notes and mortgages receivable - non-curren			-
172	Notes and mortgages receivable-non-current-past du			-
174	Other assets			-
175	Undistributed debit:			-
176	Investment in joint venture:			-
180	TOTAL NONCURRENT ASSETS	2,168,372	86,028	2,254,400
190	TOTAL ASSETS	2,217,943	88,123	2,306,066

	LIABILITIES AND EQUITY:			
	LIABILITIES:			
	CURRENT LIABILITIES			
311	Bank overdraft	12,681		12,681
312	Accounts payable ≤ 90 days	-	-	-
313	Accounts payable > 90 days past due		-	-
321	Accrued wage/payroll taxes payable	22,648	-	22,648
322	Accrued compensated absence	1,748	-	1,748
324	Accrued contingency liability			-
325	Accrued interest payable			-
331	Accounts payable - HUD PHA program			-
332	Accounts Payable - PHA Project			
333	Accounts payable - other government	21,749	-	21,749
341	Tenant security deposits	23,218	-	23,218
342	Deferred revenues	5,562	-	5,562
343	Current portion of Long-Term debt - capital project		-	-
344	Current portion of Long-Term debt - operating borrowing			-
345	Other current liabilities	1,190		1,190
346	Accrued liabilities - other	-		-
347	Inter-program - due to	-	2,095	2,095
310	TOTAL CURRENT LIABILITIES	88,796	2,095	90,891
	NONCURRENT LIABILITIES:			
351	Long-term debt, net of current- capital project			-
352	Long-term debt, net of current- operating borrowing			-
353	Noncurrent liabilities- other	-		-
354	Accrued Compensated Absences- Non Current	-		-
350	TOTAL NONCURRENT LIABILITIES	-	-	-
300	TOTAL LIABILITIES	88,796	2,095	90,891
	EQUITY:			
501	Investment in general fixed asset			-
	Contributed Capital:			
502	Project notes (HUD)			-
503	Long-term debt - HUD guarantees	-	-	-
504	Net HUD PHA contributions	-		-
505	Other HUD contributions			-
507	Other contributions	-		-
508	Total contributed capital	-	-	-
508.1	Invested in Capital Assets, Net of Related Debt	2,168,372	86,028	2,254,400
	Reserved fund balance			-
509	Reserved for operating activities			-
510	Reserved for capital activities	-		-
511	Total reserved fund balance	-	-	-
512	Undesignated fund balance/retained earnings	-	-	-
512.1	Unrestricted Net Asset	(39,225)		(39,225)
513	TOTAL EQUITY	2,129,147	86,028	2,215,175
600	TOTAL LIABILITIES AND EQUITY	2,217,943	88,123	2,306,066

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Luna Pier Housing Commission

30-Jun-07

MI-098

Combining Income Statement		Low Rent 14.850	Capital Projects Funds 14.872	TOTAL
Line Item #				
	REVENUE:			
703	Net tenant rental revenue	244,385		244,385
704	Tenant revenue - other	13,594	-	13,594
705	Total tenant revenue	257,979	-	257,979
706	HUD PHA grants	223,327	97,949	321,276
708	Other government grants			-
711	Investment income - unrestricted	1,953	-	1,953
712	Mortgage interest income	-		-
714	Fraud recovery			-
715	Other revenue	4,509		4,509
716	Gain or loss on the sale of fixed asset			-
720	Investment income - restricted			-
700	TOTAL REVENUE	487,768	97,949	585,717
	EXPENSES:			
	Administrative			
911	Administrative Salaries	74,839	4,400	79,239
912	Auditing Fees	2,950		2,950
913	Outside management fee			-
914	Compensated absence	(13,015)		(13,015)
915	Employee benefit contributions-administrative	47,086	-	47,086
916	Other operating administrative	55,382	25	55,407
	Tenant services			
921	Tenant services - salaries	9,199	-	9,199
922	Relocation costs	-	-	-
923	Employee benefit contributions- tenant service	-	-	-
924	Tenant services - other	-	-	-
	Utilities			
931	Water	22,666	-	22,666
932	Electricity	45,670	-	45,670
933	Gas	46,650	-	46,650
934	Fuel			-
935	Labor			-
937	Employee benefit contributions- utilities			-
938	Other utilities expense	-		-
	Ordinary maintenance & operation			
941	Ordinary maintenance and operations - labor	77,786	-	77,786
942	Ordinary maintenance and operations - materials & other	27,928	-	27,928
943	Ordinary maintenance and operations - contract cost	60,360	-	60,360
945	Employee benefit contributions- ordinary maintenance	45,178	-	45,178
	Protective services			
951	Protective services - labor			-

952	Protective services- other contract cost	-		-
953	Protective services - other			-
955	Employee benefit contributions- protective services			-
	General expenses			
961	Insurance premiums	37,040	-	37,040
962	Other General Expenses	1,357	-	1,357
963	Payments in lieu of taxes	13,156		13,156
964	Bad debt - tenant rents	3,771	-	3,771
965	Bad debt- mortgages			-
966	Bad debt - other			-
967	Interest expense		-	-
968	Severance expense	-		-
969	TOTAL OPERATING EXPENSES	558,003	4,425	562,428
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	(70,235)	93,524	23,289
971	Extraordinary maintenance	-		-
972	Casualty losses - non-capitalized	1,113		1,113
973	Housing assistance payments	154,445	308	154,753
974	Depreciation expense	-	-	-
975	Fraud losses			-
976	Capital outlays- governmental fund	-		-
977	Debt principal payment- governmental fund			-
978	Dwelling units rent expense			-
900	TOTAL EXPENSES	713,561	4,733	718,294
	OTHER FINANCING SOURCES (USES)			
1001	Operating transfers in (out)	16,715	(16,715)	-
1002	Operating transfers out			
1003	Operating transfers from/to primary government			
1004	Operating transfers from/to component unit			
1005	Proceeds from notes, loans and bonds			
1006	Proceeds from property sales			
1010	TOTAL OTHER FINANCING SOURCES (USES)	16,715	(16,715)	-
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	(209,078)	76,501	(132,577)
		-	-	-
		-	-	-
		-		-
				-
				-
				-
		-		-
			-	
			-	
		-	-	-
		-	-	-

LUNA PIER HOUSING COMMISSION
Status of Prior Audit Findings
June 30, 2007

The prior audit of the Luna Pier Housing Commission for the period ended June 30, 2006, did not contained any audit findings.

LUNA PIER HOUSING COMMISSION
Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards
June 30, 2007

I have audited the financial statements of the Luna Pier Housing Commission of Luna Pier, Michigan, as of and for the year ended June 30, 2007, and have issued my report thereon dated March 20, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Commission's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Luna Pier Housing Commission's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. I did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be a material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs.

This report is intended solely for the information of management, Board of Commissioners, and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

Certified Public Accountant
Hemlock, Michigan
March 20, 2008

LUNA PIER HOUSING COMMISSION
Report on Compliance Applicable to
Non Major HUD Program
June 30, 2007

I have audited the financial statements of Luna Pier Housing Commission, Luna Pier Michigan, as of and for the year ended June 30, 2007, and have issued my report dated March 20, 2008.

In connection with my audit and with my consideration of the Commission's internal control used to administer HUD grants, I selected certain transactions applicable to the non-major HUD programs for the year ended June 30, 2007; I performed auditing procedures to test compliance with the requirements governing the Commission's grants. My procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Commission's compliance with those requirements. Accordingly, I do not express such an opinion.

My consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control that might be *significant deficiencies* or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over compliance that I consider to be *significant deficiencies*.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of *control deficiencies*, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. I considered the deficiencies in internal control over compliance as described above.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. I did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

In my opinion, except as noted below, the Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its non major federal programs for the year ended June 30, 2007. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements, which are described in the accompanying schedule of findings and questioned costs:

Low Rent Public Housing:

<u>Finding</u>	<u>Audit Number</u>	<u>Compliance Requirements</u>
Davis Bacon Act Discrepancies	07-1	Davis Bacon Act

This report is intended solely for the information of management and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant
Hemlock, Michigan
March 20, 2008

LUNA PIER HOUSING COMMISSION
Schedule of Findings and Questioned Cost
June 30, 2007

1) Summary of Auditor's Results:

Programs:

	<u>Major Program</u>	<u>Non Major Program</u>
Low income Public Housing		X
Capital Projects Funds	X	

Opinions:

Unqualified

Material weakness(es) noted _____ Yes X No

Control Deficiency (ies) noted _____ Yes X No

Non Compliance material to financial
statements noted _____ Yes X No

Report on compliance for Federal programs-

Qualified

Material weakness(es) noted _____ Yes X No

Control Deficiency (ies) noted X Yes _____ No

Non Compliance material to financial
statements noted _____ Yes X No

Thresholds:

Dollar limit used to determine type A & B programs- \$ 300,000

The Auditee did not qualify as a low risk auditee.

<u>Name of Federal Program</u>	<u>Major Program</u>	<u>Questioned Costs</u>	<u>Audit Finding Number</u>
Low Rent Public Housing	No	None	N/A
Capital Fund Project	Yes	None	7-1

LUNA PIER HOUSING COMMISSION
Findings, Recommendations and Replies
June 30, 2007

The following finding of the Luna Pier Housing Commission, for the year ended June 30, 2007, was discussed with the Executive Director, Ms. Kay Axel, in an exit interview conducted January 30, 2008.

Finding 07-01: Davis Bacon Discrepancies.

The Commission contracted for construction projects which fall under the Davis Bacon Act requirements; the Commission failed to obtain Certified Payrolls.

Recommendation

The Commission had no reason to believe that the contractors were not following the Davis Bacon wage requirements as stated in the contract; however, did not receive copies of the certified payrolls.

The Davis Bacon Act allows Commissions not to interview contractor employees when it does not suspect any non-compliance, however, the Commission is obligated to receive and review the certified payrolls to insure compliance.

I recommend the Commission obtain all certified payrolls and review them for compliance; any noted discrepancies need to be addressed. In the future, the Commission needs to comply with this provision of the Davis Bacon Act.

Reply

Luna Pier Housing Commission has contacted all contractors and is obtaining certified payroll records to assure that we have been in full compliance. In the unlikely event that a contractor has not been in compliance, any discrepancies will be immediately addressed.

In addition, all future contracted work certified payrolls will be monitored/reviewed to assure complete compliance with the Davis Bacon act.